TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 1827 - SB 1420

March 29, 2011

SUMMARY OF BILL: Creates the "Border Region Retail Tourism Development District Act" to encourage development of extraordinary retail or tourism facilities within municipalities that border a neighboring state. Authorizes local governments to receive an apportionment of state sales and use taxes to fund the costs of any economic development project in the district but limits the apportionment to that purpose. Defines "economic development project" as the provision of financial assistance to an extraordinary retail or tourism facility and "extraordinary retail or tourism facility" as a store, series of stores, or other public tourism facility located within a district that is reasonable anticipated to draw at least one million visitors and is expected to require a capital investment of at least $20 million while remitting at least $2 million in state sales and use tax.

Requires a municipal legislative body of a municipality receiving an apportionment of state sales and use taxes to adopt an ordinance designating the boundaries of the district and file a certified copy of the ordinance and a project master plan with ECD with a request for certification. Limits each municipality to one such district. Requires the ECD Commissioner to review applications and to adjust the district area if necessary to ensure it is within the acreage restrictions; to notify the Commissioner of Revenue and Tourist Development of a request to establish a Border Region Retail Tourism Development District; and to confirm and notify the Department of Revenue that state sales and use taxes should be apportioned and distributed to the local government. Authorizes local governments to issue revenue bonds, with restrictions, to finance economic development projects. Prohibits financial assistance to an existing retailer located within a fifteen-mile radius of the district.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – $5,548,200
Increase State Expenditures – Not Significant

Increase Local Revenue – $5,548,200
Increase Local Expenditures – Not Significant

Assumptions:

- Defines "base tax revenue" as revenues generated from the collection of state sales and use taxes from all business within the applicable district as of the end of the fiscal year immediately preceding the year any local government is entitled to receive an allocation of such taxes.

- Defines “border regional retail tourism development district” as one or more parcels of real property located in a municipality, some part of whose corporate limits border a neighboring state, and which is no more than one-half mile from an existing federally-designated interstate exit, no more than 12 miles from a state border as measured by straight line, no larger than 950 total acres and is designated as a border regional retail tourism development district by a municipal ordinance and certified by the Commissioner of Economic and Community Development.
- Defines “cost” to mean all cost of an economic development project in a district incurred by the municipality or industrial development corporation.
- Municipalities in Bradley, Campbell, Cocke, Giles, Hamilton, Hawkins, Marion, Montgomery, Robertson, Shelby, Sullivan and Sumner Counties will be authorized to create a Region Retail Tourism Development District.
- The fiscal impact of this bill is dependent upon several unknown factors such as the degree of future development within the district, the taxable sales and services that will occur in the future, and the total bond indebtedness incurred to finance development within the approved district.
- Making a special allocation of future state sales tax revenue will result in decreased revenue to the state.
- According to the Department of Revenue (DOR), total sales tax collection from eligible counties in FY09-10 was $1,697,400,000. Approximately $1,333,700,000 (or 78.57 percent) will be subject to appropriation to local governments.
- Estimate assumes one municipality in each eligible county will establish a Border Region Retail Tourism Development District.
- According to DOR, districts would contribute 10 percent of sales taxes.
- According to DOR, the average sales tax growth rate is four percent.
- Due to multiple unknown factors, determining a precise fiscal impact is difficult. However, the total decrease to state revenue is estimated to exceed $5,548,192 ($1,333,700,000 x 10% x 1.04 x 0.04) per year.
- Local government revenue will increase by an unknown amount estimated to exceed $5,548,192 per year as a result of the special allocation of state sales tax revenue.
- There will not be a significant increase to state or local expenditures to prepare or review applications.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

James W. White

James W. White, Executive Director

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